

QA

QUERY CORNER

INSURANCE



AMIT SURI

CFP, AUM FINANCIAL PLANNERS

► OUR EXPERT OFFERS TIPS ON THE BEST INSURANCE PRODUCTS AVAILABLE IN THE MARKET. EMAIL TO etqueryins@indiatimes.com

I am 29 years old and have taken an insurance policy from LIC. Every year, I pay Rs 46,000 and I can't get any sum back before the fifth year. Can you suggest a plan where I can save tax as well as invest?

PRAGYA GUPTA

A The insurance policy that you have bought seems to be a ULIP plan. You should be looking at contributing to this plan even beyond the said five years and for at least maybe 8-10 years, to enjoy the fruits of the policy. Generally in ULIPs, allocation and other charges in the initial years are higher than in the later years. When you continue the premium payments beyond the minimum stipulated term, you bring down the average allocation charges, resulting in better returns and also insurance coverage for a longer period of time. As a first step, buy adequate life insurance for yourself, at least 8-10 times of your annual income, including the life insurance that you already have. After that, invest your savings in a bouquet of investments depending on your asset allocation. It could be in ELSS through SIP mode to save on the taxes and benefit from the higher returns that equities offer.

I am 36-year old, and have insured myself for Rs 40 lakh. Please suggest a scheme for my child who is 10-months old for his higher education where he may require something around 50 to 60 lakh after 20 years.

B SOMALIA

A Investing for your

children's education and future will always be an important element in your financial planning. Plans like ICICI Prudential Child Care Plan-Gift options and HDFC Children Gift Plan-Investment options are good offerings from the mutual fund spectrum. And since these investments are in the child's name, parents are emotionally inclined to keep invested for longer period of time. And long-term investments mean more stable returns to investors. Rs 6,585 invested regularly every month growing @ 10% pa for 20 years will become Rs 50 lakh.

I want to buy health insurance for my parents who are 77 and 75 years. Most insurance companies do not cover senior citizens of that age. Could you let me know any way out?

ASHISH GUPTA

A There is only one plan available and that is offered by National Insurance Company. National Insurance offers Varishta Mediclaim for Senior Citizens which is available only for medically fit, without any pre-existing diseases. Medical check-up is not required if the insured was covered under any health policy from any company uninterrupted for preceding three years. Persons with no previous mediclaim have to compulsorily undergo medical check-ups. Critical illness cover is an optional cover which can be additionally bought under the policy. It is recommended that you buy critical illness cover for them. It is important for all to buy medical insurance early in life and continue paying uninterrupted premiums every year.